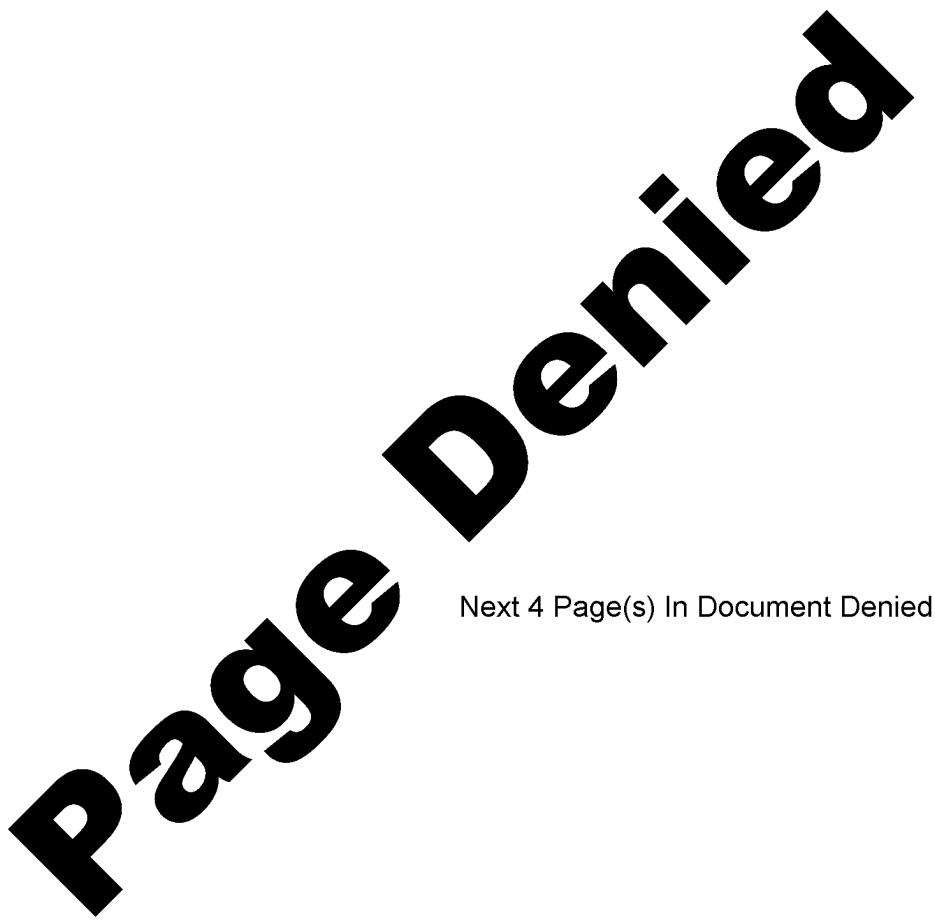

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United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

November 21, 1984

Dr. John H. Gibbons, Director
Office of Technology Assessment
U.S. Congress
Washington, D.C. 20510

Dear Dr. Gibbons:

During the past several years, technology transfer has become a central element in the relationship between the United States and the People's Republic of China, as evidenced by growing high technology exports from the U.S. and by a variety of bilateral programs devoted to cooperation in scientific and technological fields. At the same time, controversy continues in Congress concerning the economic and military implications of technology transfer to the PRC.

The Senate Committee on Banking, Housing, and Urban Affairs, because of its responsibilities in formulating export policy, will play a central role in further shaping policies governing technology transfers to China. In doing so, the Committee will need to consider ways to promote civilian trade while at the same time ensuring that transfers of technologies with military applications serve broader U.S. interests. This will require a foward-looking understanding of the role that U.S. technology can play in Chinese civilian and military modernization programs, and the significance for China's role in the East Asian region.

Because these issues are important, and because the Office of Technology Assessment has considerable experience in assessments dealing with international technology transfers, we request that you undertake a study dealing with the following issues:

-- What role will nuclear power play in China's energy future, considering China's other energy resources and its financial resources to purchase nuclear reactors? What has been China's nonproliferation record in the past and what is its present nonproliferation policy? How would the proposed U.S.-China nuclear cooperation agreement affect U.S. nonproliferation efforts? How can nuclear cooperation with the People's Republic of China be shaped to further U.S. nuclear nonproliferation goals? What effect could nuclear cooperation with China have on the PRC's military programs?

-- How well do U.S. firms compete in the China market, and how different are the approaches taken by firms from Japan and

other major countries supplying technology? What concrete steps could be taken to broaden U.S. exports of goods and services?

-- What can be said about the future of U.S.-China trade? Are there ways in which present-day policies may affect the size of the Chinese market in the future?

-- How can scientific and technological cooperation between the two countries be improved to ensure a two-way flow of information and resources?

-- What have been the effects of changes in U.S. export control policies on the volume and nature of U.S. technology trade with China, and to what extent do the export control policies of other supplier countries diverge from those of the United States?

-- How important is technology transfer to China's civilian and military modernization program, and could different outcomes with regard to technology importation affect China's economic growth, its military posture, Sino-U.S. relations, and East Asian security?

Because we expect that during the 99th Congress the Banking Committee will need to consider a variety of proposals concerning nuclear cooperation with the PRC in the context of export administration reform, we request that OTA prepare an interim report dealing with the subject, to be delivered by Spring of 1985.

Sincerely,

William Proxmire
Ranking Minority Member

Jake Garn
Chairman

JG:WP:pfj

STAT

U.S. House of Representatives
Committee on Energy and Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515

December 17, 1984

Dr. John H. Gibbons
Office of Technology Assessment
U.S. Congress
Washington, D.C. 20510

Dear Dr. Gibbons:

Both the United States and China have expressed their desire to promote the transfer of high technology from the U.S. to the People's Republic of China. China's modernization program requires the import of many new technologies, and the potential market there is very attractive to American companies. This trade, as well as cooperation in scientific and technological fields, is growing rapidly. However, there are potential economic and military implications for long-term U.S. interests that cause concerns in Congress. In some cases, these concerns have led to restrictions on technology transfer.

The House Committee on Energy and Commerce has a particular interest in devising policies to promote trade without jeopardizing U.S. commercial or security interests. Such policies must be based on a broad understanding of China's need for technology, how China will assimilate it, the availability of technologies from foreign suppliers, and the implications for economic growth in the U.S. as well as the Pacific region. A series of hearings by the Special Subcommittee on U.S. Trade with China has emphasized the importance of technology transfer and the need for a complete analysis of the implications for the United States.

We would appreciate it if the Office of Technology Assessment would bring to bear its considerable experience in international technology transfer in a study of these issues as they apply to China. In particular:

- Recognizing the critical role of Chinese energy development for future economic growth and trade opportunities, which U.S. technologies would most benefit China's energy sector goals and how can the transfer of these energy-related technologies be facilitated?

- In which technologies will China be most interested over the next ten years? What are the implications of China's modernization program and growth projections, available resources and infrastructure? Where are the PRC's priorities likely to be, considering their limited financial resources?

- How extensive will be the role of nuclear power in the PRC? Where is China likely to procure the technology, and what are the effects of U.S. restrictions?

- What is the potential for nuclear technology to be misused? While China already has nuclear weapons, is it possible that a growing commercial power expertise could lead to unregulated assistance to other nations such as Pakistan which are potential proliferators? Would reactor technology be useful for improving the nuclear propulsion systems in Chinese submarines?

- What is the impact of export restrictions on other sensitive technologies, such as computers? Are exports of nonsensitive technologies unduly delayed by procedural hurdles?

- How do U.S. export policies compare to those of other nations, and what is the effect of these differences?

- Is China likely to repeat the pattern of some developing countries and become a competitor in the export market for the very technologies it starts by importing?

- What can the United States do to facilitate the export to China of technologies in which the U.S. competes with other exporters? What do other governments do to assist their exporting companies?

- What can be done to facilitate a two-way flow of technological and scientific information?

U.S. trade relations with the PRC will be of great interest to the next Congress, and we would appreciate your analysis of these questions on a timely basis. Because of the critical

importance of speeding China's energy development and the leadership of U.S. technology and skills in energy industries, we request that OTA provide an interim report dealing with this subject, to be delivered by the spring of 1985. Any questions regarding this request should be directed to Mr. Gregory Mounts of the Committee staff.

Sincerely,

John D. Dingell
Chairman
Committee on
Energy and Commerce

James T. Broyhill
Ranking Minority Member
Committee on Energy and Commerce
and Special Subcommittee on
U.S. Trade with China

Al Swift
Chairman
Special Subcommittee on
U.S. Trade with China

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Congressional Committees Interested in Technology Transfer to China

Committee	Jurisdiction**	Interest*
Senate Banking	B,C	A
House Energy and Commerce (Select Com. on China)	B,C,E	A
House Foreign Affairs		
(Asia Subcom.)	A	D
(Internatl. Ec. Policy Subcom.)	B,C	E
Senate Foreign Relations		
(East Asia Subcom.)	A	F
(Internatl Ec. Policy Subcom.)	B,C	F
House Science and Technology	D	D
Senate Government Affairs		
(Nuclear Prolif. Subcom.)	B	D

(Others)
Armed Services
Appropriations (funding of NDFL, etc.)
Joint Economic Committee
Intelligence
committees dealing with maritime, space, and other aspects of international cooperation and nuclear exports

**Areas of Jurisdiction

A = Geostrategic
B = Export controls, including nuclear nonproliferation controls
C = Export Promotion
D = Science and technology programs; education and academic exchange
E = Energy

*Interest in OTA Study

A = Majority and minority request
B = Majority request
C = Minority request
D = Interested, but not planning to request
E = Consulted, but not interested in requesting
F = Not yet consulted